

Auditing Procedures Report

Issued under P.A. 2 of 1966, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Huron County Community Mental Health Aut	County Huron
Fiscal Year End 9/30/07	Opinion Date 1/11/08	Date Audit Report Submitted to State 1/25/08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

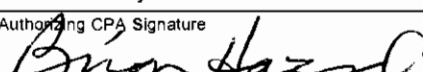
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No letter of comments was prepared	
Other (Describe)	<input type="checkbox"/>	No other reports were required	
Certified Public Accountant (Firm Name) Nietzke & Faupel, P.C.		Telephone Number 989-453-3122	
Street Address 7274 Hartley Street		City Pigeon	State MI
Zip 48755			
Authorizing CPA Signature 	Printed Name Brian Hazard, CPA	License Number 1101014007	

HURON BEHAVIORAL HEALTH

HURON COUNTY, MICHIGAN

FINANCIAL REPORT

SEPTEMBER 30, 2007

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
Huron Behavioral Health
Bad Axe, Michigan 48413

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Huron Behavioral Health, as of and for the years ended September 30, 2007 and 2006, which collectively comprise Huron Behavioral Health's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Huron Behavioral Health's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Huron Behavioral Health, as of September 30, 2007 and 2006, and the respective changes in financial position and cash flows, where applicable, thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages ii through ix and 31 and 32, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


NIETZKE & FAUPEL, P.C.
PIGEON, MICHIGAN

January 11, 2008

HURON BEHAVIORAL HEALTH

Management's Discussion and Analysis

For the year ended September 30, 2007

This section of the Huron Behavioral Health (HBH) annual financial report presents management's discussion and analysis of financial performance for the fiscal year ended September 30, 2007 (FY07). This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities, and to identify significant changes in financial position and results of operations. Please read this section in conjunction with the auditor's report and with our financial statements, notes to financial statements and supplemental information taken as a whole.

The Michigan Department of Community Health (MDCH) contracts for Medicaid specialty supports and services through designated Prepaid Inpatient Health Plans (PIHPs) in regional geographic areas. Bay-Arenac Behavioral Health Authority (BABHA) is the designated Medicaid PIHP for a region consisting of Arenac, Bay, Huron, Montcalm, Tuscola and Shiawassee counties. HBH is affiliated with and subcontracts for Medicaid funding through BABHA, rather than directly with the state. State General Fund revenue and other state and federal grants and earned contracts are sourced directly from the state.

FINANCIAL HIGHLIGHTS

- Operating results show a deficit of \$157 thousand or 1.7% of revenue compared to a \$180 thousand surplus in the prior year.
- Unrestricted net assets are \$2.5 million or 52% of total assets.

OVERVIEW OF FINANCIAL STATEMENTS

Basic financial statements, in accordance with generally accepted accounting principles (GAAP) according to GASB 34, require the presentation of two types of financial statements. These are authority-wide statements and fund statements.

Authority-wide financial statements include the statement of net assets and the statement of activities. These provide both long-term and short-term information, and present a broad view of the overall financial status in a manner similar to a private sector business. Information presented in these statements is on the accrual basis of accounting. Long-term assets are capitalized and depreciated. Long-term debt is recorded as a liability. Revenues are recorded when "earned" and expenses recorded when "incurred", without regard to the timing of cash receipts or disbursement.

The statement of net assets includes all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of improving or deteriorating financial position.

HURON BEHAVIORAL HEALTH
Management's Discussion and Analysis
For the year ended September 30, 2007

The statement of activities presents information showing how net assets changed during the year as a result of operating activity.

Fund financial statements contain individual groups of related accounts and are used to report current assets, current liabilities, fund balance, revenues and expenditures for specific activities or funds segregated for legal requirements or other governmental objectives. These are presented in more detail as compared to the authority-wide statements. The fund financial statements are reported on the modified accrual basis of accounting. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized only to the extent that they are normally expected to be paid with current financial resources. Purchased capital assets are reported as expenditures in the year of acquisition. Issuance of debt is recorded as a financial resource with current year payment of principal and interest recorded as an expenditure.

Fund financial statements are divided into two categories - governmental fund financial statements and proprietary fund financial statements.

Governmental fund financial statements show how the community mental health supports and services programs were financed in the short term as well as what remains for future spending.

In prior years, proprietary fund financial statements showed internal service funds reserved for risk management. These funds were held as a self-funded insurance risk reserve to protect against unanticipated current and future financial exposures related to risk-style contracts. These funds have been fully expended and are not expected to be re-established for the foreseeable future.

SUMMARY OF NET ASSETS

The following summarizes the assets, liabilities and net assets on an authority-wide basis as of September 30, 2007 and 2006.

HURON BEHAVIORAL HEALTH
Management's Discussion and Analysis
For the year ended September 30, 2007

Summary of Net Assets

As of September 30, 2007 and 2006
(In \$000s)

	2007	2006	Incr/ (Decr)	% Change
<u>Assets</u>				
Current assets	\$ 3,649	\$ 4,751	\$ (1,102)	-23.2%
Restricted assets	456	415	41	9.8%
Capital assets	636	655	(19)	-2.9%
Total assets	4,741	5,821	(1,080)	-18.6%
<u>Liabilities</u>				
Current liabilities	1,205	2,160	(955)	-44.2%
Noncurrent liabilities	456	415	41	9.8%
Long-term debt	131	139	(8)	-5.7%
Total liabilities	1,792	2,714	(922)	-34.0%
<u>Net Assets</u>				
Investment in capital assets	497	508	(11)	-2.2%
Unrestricted	2,452	2,599	(147)	-5.7%
Total net assets	\$ 2,949	\$ 3,107	\$ (158)	-5.1%
<i>Current financial position</i>	<i>2,444</i>	<i>2,591</i>	<i>(147)</i>	<i>-5.7%</i>
<i>Current ratio</i>	<i>3.0</i>	<i>2.2</i>	<i>0.8</i>	<i>37.7%</i>

Current financial position is defined as the excess of current assets over current liabilities. A positive current financial position is an indicator of financial strength and an increase in current financial position is an indicator of improving financial position. The current financial position is a positive \$2.4 million, a decrease of \$147 thousand or 5.7%, compared to the prior year. The current ratio is the measure of current assets divided by current liabilities. The current ratio at fiscal year end is 3.0: 1, up from 2.2:1 for the prior year.

Current assets consist of cash and investments, accounts receivable, amounts due from others and prepaid expenses. These are available for current operations and to pay current obligations. Current liabilities include accounts payable, accrued payroll, related taxes and benefits, accrued postemployment benefit, amounts due to others, deferred revenue, and the current portion of long-term debt. The significant reduction in current assets and current liabilities is attributed to the funding in FY07 of the FY06 accrued postemployment benefit.

HURON BEHAVIORAL HEALTH
Management's Discussion and Analysis
For the year ended September 30, 2007

Restricted assets consist of cash, investments and accrued interest receivable. These are restricted for payment of compensated absences, including certain deferred compensation amounts.

Capital assets consist of property and equipment having an estimated useful life of more than one year and original cost in excess of \$5 thousand. These assets are stated at their original book value, net of accumulated depreciation.

In fiscal 2007, \$50 thousand was expended for capital acquisitions. Depreciation expense was \$64 thousand. Of this amount, \$26 thousand was related to assets acquired prior to October 1, 2003 and was not to be considered for Medicaid and State General Fund cost reconciliation purposes. The net change in capital assets was a decrease of \$19 thousand for the year. When depreciation expense exceeds capital expenditures, the net decrease represents a reduction in capital resources available for the future.

As of year-end, the net book value of depreciable capital assets was 38% of the original book value. This percentage is a measure of the relative age of property and equipment and this low percentage reflects that property and equipment is relatively old.

Noncurrent liabilities consist of the liability for compensated absences that includes vested vacation and sick pay obligations and certain deferred compensation amounts.

Long-term debt is the mortgage debt incurred to acquire the Genesis home. The amount is shown net of the current portion. The current portion (amount due within one year) is shown in current liabilities.

Investment in capital assets is the net book value of capital assets, net of related debt.

Unrestricted net assets at the end of the year are \$2.5 million, a decrease of \$147 thousand or 5.7% for the year. Unrestricted net assets are 52% of total assets, up 7% from 45% at the end of the prior year.

SUMMARY OF ACTIVITIES

The following summarizes the revenue, expenses and change in net assets on an authority-wide basis for the years ended September 30, 2007 and 2006.

HURON BEHAVIORAL HEALTH
Management's Discussion and Analysis
For the year ended September 30, 2007

Summary of Activities

For the years ended September 30, 2007 and 2006
(In \$000s)

	2007	2006	Incr/ (Decr)	% Change
<u>REVENUE</u>				
Medicaid specialty supports and services	\$ 6,963	\$ 7,007	\$ (44)	-0.6%
State general fund priority populations	946	1,069	(123)	-11.5%
ABW and MiChild capitation revenue	123	120	3	2.5%
Program service revenue	452	507	(55)	-10.8%
Grants and earned contracts	393	320	73	22.8%
County appropriation	233	228	5	2.2%
Interest income	175	172	3	1.7%
Other local income	21	11	10	90.9%
TOTAL REVENUE	<u>9,306</u>	<u>9,434</u>	<u>(128)</u>	<u>-1.4%</u>
<u>EXPENSE</u>				
Contractual providers	1,624	1,483	141	9.5%
Program operations	6,470	6,194	276	4.5%
Managed care administration	166	166	0	0.0%
General & Board administration	963	1,163	(200)	-17.2%
Local funds contributed to State	169	169	0	0.0%
Interest expense	7	3	4	133.3%
Depreciation	64	76	(12)	-15.8%
TOTAL EXPENSE	<u>9,463</u>	<u>9,254</u>	<u>209</u>	<u>2.3%</u>
CHANGE IN NET ASSETS	<u>\$ (157)</u>	<u>\$ 180</u>	<u>\$ (337)</u>	

Revenue for the year was \$9.3 million compared to \$9.4 million in the prior year, a decrease of \$128 thousand or 1.4% from the prior year.

Medicaid specialty supports and services revenue of \$7.0 million decreased \$44 thousand or 0.6% compared to the prior year. This represents 74.8% of total revenue compared to 74.3% in the prior year. Medicaid specialty supports and service revenues are provided under a subcontract with BABHA, the Medicaid PIHP for the region. This subcontract is on a net cost not to exceed basis. There were no unspent Medicaid subcontract funds for the fiscal year.

State General Fund priority population revenue (formula funding) of \$946 thousand decreased \$123 thousand or 11.5% compared to the prior year. This represents 10.2% of total revenue compared to 11.3% in the prior year. This funding is established by MDCH as a part of the legislative appropriation process under the Michigan Mental Health Code and is used to provide supports and services to indigent priority populations, including state facility utilization and other allowable expenses. The prior

HURON BEHAVIORAL HEALTH
Management's Discussion and Analysis
For the year ended September 30, 2007

year revenue included a one-time transfer of \$115 thousand transferred from other CMHSPs that was not available in the current year.

For the fourth consecutive year, the amounts expended under the State General Fund contract exceeded amounts provided by the state. To cover these expenditures, \$373 thousand of unrestricted local funds were used. For the benefit of the priority populations, the HBH Board chose to expend local funds to cover the unfunded state obligation.

Adult Benefit Waiver and MiChild capitation revenue of \$123 thousand increased \$3 thousand or 2.5% compared to the prior year. However, the cost of supports and services for eligible beneficiaries exceeded available revenues. HBH is fully at risk for these state benefit programs. While cost in excess of revenue may be claimed as State General Fund cost, no surplus State General Funds were available. Thus, the \$19 thousand ABW deficit and \$42 thousand MiChild deficit were covered by local fund sources.

Program service revenue of \$452 thousand includes charges for services for consumers not covered by Medicaid subcontracts, State General Funds or other contract or grant revenue sources. These represent 4.9% of total revenue, down from 5.4% of total revenue in the prior year. These have decreased \$55 thousand or 10.8% from the prior year. This revenue is a significant source of local funds needed to meet matching fund requirements, cover funding shortfalls in other areas and contribute to unrestricted fund balance. The significant reduction is attributed to HBH's voluntary cancellation of Medicaid Qualified Health Plan (QHP) provider contracts due to insufficient payment rates compared to the full cost of covered services that required the use of local funds to make up the shortfall.

Grants and earned contract revenue of \$393 thousand includes revenue sources for which the use of funds is restricted to a specific purpose. These represent 4.2% of total revenue, up from 3.4% in the prior year. These have increased \$73 thousand or 22.8% from the prior year. The significant increase is attributed to the new Anti-Stigma Grant (\$54k) and increases in Medicaid injectable drugs treated as a fee-for-service earned contract.

County appropriation revenue, interest income and other local income totaling \$429 thousand are available to meet state matching fund requirements and for other local purposes. These revenue sources constitute 4.6% of revenue and have increased 18 thousand or 4.4% from the prior year.

The County appropriation is \$233 thousand, including \$40 thousand for Seniors services. This has increased by \$5 thousand for Seniors services compared to the prior year.

Total expense of \$9.5 million has increased \$209 thousand or 2.3% compared to the prior year. Increases in the cost of direct supports and services are offset by decreases in administrative cost.

HURON BEHAVIORAL HEALTH
Management's Discussion and Analysis
For the year ended September 30, 2007

Included in expense is \$525 thousand for the funding of postemployment benefit liability under GASB #45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This fund was established in FY06, initially funded in FY06 by a transfer of board-designated fund balance of \$1,068,500, and additionally funded in FY06 for its annual accrual of \$539 thousand. Based on an actuarial study at the inception of the fund, the present value of future vested benefits was \$5.5 million. Funding since this report has totaled \$2.1 million.

Included in expense is the cost of a building lease for the HBH primary offices. This building is owned by the County of Huron and is leased to HBH at a fair market rental value as determined by an independent appraisal. This lease arrangement is currently being examined by MDCH. The result and possible financial implications of this examination are unknown at this time.

Contractual provider expense of \$1.6 million includes state facility, community hospital, residential, supported employment and transportation providers. These represent 17.2% of total expense, and have increased \$141 thousand or 9.5% over the prior year. Most of this increase is in community inpatient hospitalization.

Program operations expense of \$6.5 million includes salaries, benefits and other operating costs of supports and services programs operated directly by HBH. These represent 68.4% of total expense, and have increased \$276 thousand or 4.5% from the prior year.

Managed care administration expense of \$166 thousand relates to state contracts held by HBH and functions delegated to HBH by the regional Medicaid PIHP. These represent 1.8% of total expense, and are essentially unchanged from the prior year.

General and Board administration expense of \$963 thousand represents 10.2% of total expense. These have decreased \$200 thousand compared to the prior year, primarily attributed to a redefinition of administrative cost mandated by Section 460 legislation effective for FY07. Due to the scope of this legislative change, a restatement of prior year allocations was not attempted.

BUDGET

The fiscal budget process continues to be challenging due to state budget difficulties, increasing demands for entitlement services in Medicaid and other managed care contract programs and evolving managed care service and administrative responsibilities. Unlike other local government budgets, over 89% of the HBH budget consists of managed care contract programs with some element of insurance risk. These are essentially entitled supports and services for eligible beneficiaries or for specialized services for uninsured or underinsured priority populations. As such a majority of its expense is non-discretionary.

HURON BEHAVIORAL HEALTH
Management's Discussion and Analysis
For the year ended September 30, 2007

FUTURE OUTLOOK

The State of Michigan continues its struggle to balance budget deficits. Federal cost constraints are placing additional pressures on Medicaid funding. The effect of these on future funding for community mental health and specialty supports and services is unknown, but the outlook does not look favorable.

Management expects revenues to be flat at best. Support and service demand is expected to increase together with inflationary cost pressures.

Of particular concern is the State General Fund Formula Funding for priority populations under the Mental Health Code. Risk reserves and local funds have been expended for four consecutive years to cover under-funded need and obligations. Also of concern is the funding deficit evident in the ABW and MiChild programs. These programs are not risk adjusted for local need. Management will concentrate its efforts to minimize these deficits that require the use of local funds to cover the shortfalls.

While the financial position of HBH is currently healthy, balancing the priorities and budgets is increasingly more difficult.

* * * * *

As always, questions, comments and suggestions are welcomed from interested parties and the general public. These can be directed to management.

BASIC FINANCIAL STATEMENTS

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

**STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007 AND 2006**

ASSETS	Governmental Activities	
	2007	2006
CURRENT ASSETS		
Cash and investments	\$ 3,266,112	\$ 3,589,524
Accounts receivable, net	78,249	73,890
Due from other governmental units	285,270	1,080,229
Prepaid expenses	19,412	7,723
TOTAL CURRENT ASSETS	3,649,043	4,751,366
NONCURRENT ASSETS		
Cash - restricted	455,779	415,260
Capital assets, land	81,192	81,192
Capital assets - depreciable, net	555,453	573,621
TOTAL NONCURRENT ASSETS	1,092,424	1,070,073
TOTAL ASSETS	\$ 4,741,467	\$ 5,821,439
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 156,678	\$ 102,933
Due to service providers	200,056	132,423
Due to State of Michigan	-	30,621
Accrued payroll	156,110	152,768
Accrued payroll taxes and benefits	5,644	2,460
Accrued health insurance	154,159	124,392
Post employment benefit liability	524,563	1,607,669
Current portion long term debt	7,581	7,235
TOTAL CURRENT LIABILITIES	1,204,791	2,160,501
NONCURRENT LIABILITIES		
Accrued severance pay	71,399	62,817
Accrued compensated absences	384,380	352,443
Notes payable, net of current	131,508	139,089
TOTAL NONCURRENT LIABILITIES	587,287	554,349
TOTAL LIABILITIES	1,792,078	2,714,850
NET ASSETS		
Investment in capital assets, net of related debt	497,556	508,488
Unrestricted	2,451,833	2,598,101
TOTAL NET ASSETS	\$ 2,949,389	\$ 3,106,589

The accompanying notes are an integral part
of the financial statements.

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

**STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006**

Functions	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense)</u>	
		<u>Charges</u>	<u>Operating</u>	<u>Revenue and</u>	<u>Changes in</u>
		<u>for Services</u>	<u>Grants and</u>	<u>Net Assets</u>	
			<u>Contributions</u>	<u>2007</u>	<u>2006</u>
Governmental Activities					
Health & Welfare - Mental Health	<u>\$ 9,463,436</u>	<u>\$ 8,721,956</u>	<u>\$ 154,530</u>	<u>\$ (586,950)</u>	<u>\$ (231,298)</u>
General revenues					
Grants and contributions not					
restricted to specific programs				239,368	234,368
Unrestricted investment earnings				175,025	171,492
Restricted investment earnings				-	715
Miscellaneous revenues				15,357	4,768
Total general revenues and contributions				<u>429,750</u>	<u>411,343</u>
Change in net assets				<u>(157,200)</u>	<u>180,045</u>
Net assets - beginning of year				3,106,589	3,995,044
Change in reserved fund balance for employee benefits					(1,068,500)
Net assets - end of year				<u>\$ 2,949,389</u>	<u>\$ 3,106,589</u>

The accompanying notes are an integral part
of the financial statements.

FUND FINANCIAL STATEMENTS

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007 AND 2006**

	GENERAL FUND	
	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and investments	\$ 3,266,112	\$ 3,589,524
Accounts receivable:		
Client Services	78,249	73,890
Due from State of Michigan	52,811	102,612
Due from county	58,313	57,063
Due from other governments	174,146	920,554
Prepaid expenses	19,412	7,723
Cash - restricted	455,779	415,260
TOTAL ASSETS	<u>\$ 4,104,822</u>	<u>\$ 5,166,626</u>
 LIABILITIES:		
Accounts payable	\$ 156,679	\$ 102,933
Due to service providers	200,056	132,423
Due to State of Michigan	-	30,621
Accrued payroll	156,110	152,768
Accrued payroll taxes and benefits	5,644	2,460
Accrued health insurance	154,159	124,392
Post employment benefit liability	524,563	1,607,669
TOTAL LIABILITIES	<u>1,197,211</u>	<u>2,153,266</u>
 FUND BALANCES:		
Reserved - prepaid items	19,412	7,723
Reserved - compensated absences	384,380	352,443
Reserved - severance pay	71,399	62,817
Unreserved	2,432,419	2,590,377
TOTAL FUND BALANCES	<u>2,907,611</u>	<u>3,013,360</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,104,822</u>	<u>\$ 5,166,626</u>

The accompanying notes are an integral part
of the financial statements.

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Total fund balance - governmental funds	\$ 2,907,611	\$ 3,013,360
Amounts reported for governmental activities in the statement of activities are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Add: Capital assets	1,536,546	1,566,084
Deduct: Accumulated depreciation	(899,901)	(911,271)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Deduct: Severance pay	(71,399)	(62,817)
Deduct: Compensated absences	(384,380)	(352,443)
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
	(139,088)	(146,324)
Net assets of governmental activities	<u>\$ 2,949,389</u>	<u>\$ 3,106,589</u>

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006**

REVENUES:	<u>2007</u>	<u>2006</u>
State grants		
State General Fund DCH Contract	\$ 946,453	\$ 1,069,517
Adult benefit waiver	116,143	112,809
MI Child capitation	6,710	6,804
Title XX replacement	6,118	6,118
Other state grants	18,980	16,652
Total state grants	<u>1,094,404</u>	<u>1,211,900</u>
Federal grants		
Federal block grants	63,900	29,503
PAS / ARR Grant	71,650	83,885
Total federal grants	<u>135,550</u>	<u>113,388</u>
Contributions - Local units		
County appropriation	193,250	193,250
Senior grant	40,000	35,000
Total contributions - Local units	<u>233,250</u>	<u>228,250</u>
Charges for services		
Medicaid specialty managed care capitation	6,962,816	7,007,232
Medicaid fee for service	108,060	65,271
Earned contracts	81,414	85,036
Client and third party pay	500,361	546,508
Total charges for services	<u>7,652,651</u>	<u>7,704,047</u>
Interest income	175,025	171,492
Other revenue	15,356	4,768
TOTAL REVENUES	<u>9,306,236</u>	<u>9,433,845</u>

The accompanying notes are an integral part
of the financial statements.

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006**

EXPENDITURES:	<u>2007</u>	<u>2006</u>
Health & Welfare - Mental Health		
Personnel costs:		
Salaries & wages	3,593,618	3,504,631
Fringe benefits	1,886,750	2,199,698
Board per diem	11,025	11,690
Total personnel costs	<u>5,491,393</u>	<u>5,716,019</u>
 Operating expenditures:		
Building rental	169,649	177,349
Consumer food, clothing	42,869	43,797
Contract residential	353,370	428,991
Contractual other	1,168,742	1,028,572
Inpatient - private	280,175	184,500
Inpatient - state	30,143	30,621
Insurance & bonds	48,484	52,089
Medical	725,558	470,555
Other operating expense	232,618	274,806
Printing, postage & advertising	79,832	52,977
Regional manage care administration	28,800	33,368
Repairs & maintenance	157,306	164,764
Supplies	101,850	101,603
Telephone	66,716	66,364
Travel	129,483	116,823
Utilities	72,596	72,877
Local funds paid to PIHP	168,800	168,799
Total operating expenditures	<u>3,856,992</u>	<u>3,468,855</u>

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Capital Outlay	49,671	203,034
Debt Retirement	13,929	5,804
TOTAL EXPENDITURES	<u>9,411,985</u>	<u>9,393,712</u>
OTHER FINANCING SOURCES:		
Operating transfer in	-	16,999
Proceeds from note payable	-	149,241
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>166,240</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>(105,749)</u>	<u>206,373</u>
FUND BALANCE, OCTOBER 1	3,013,360	3,875,487
Change in reserved fund balance for employee benefits	-	(1,068,500)
FUND BALANCE - SEPTEMBER 30	<u><u>\$ 2,907,611</u></u>	<u><u>\$ 3,013,360</u></u>

The accompanying notes are an integral part
of the financial statements.

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Net change in fund balances - total governmental funds	\$ (105,749)	\$ 206,373
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated lives as depreciation expense.		
Add: Capital outlay	49,671	203,034
Deduct: Net book value of disposals	(3,509)	(3,056)
Deduct: Depreciation expense	(64,330)	(76,143)
Loan proceeds provide current financial resources to governmental funds, while the repayment of principal on debt is an expenditure in the governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which debt issued exceeded repayments.		
	7,235	(146,324)
An internal service fund is used by management to cover the risk of overspending the Managed Care Specialty Services Program contract. The net revenue of the fund attributable to those funds is reported with governmental activities.		
Add: Interest income from governmental internal service fund	-	715
Deduct: Operating transfer from internal service fund to general fund	-	(16,999)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.		
Add: Decrease (Increase) in accrual for severance pay	(8,582)	12,383
Add: Decrease (Increase) in accrual for compensated absences	(31,936)	63
Change in net assets of governmental activities	<u>\$ (157,200)</u>	<u>\$ 180,045</u>

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

**STATEMENT OF FUND NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2007 AND 2006**

	<u>INTERNAL SERVICE FUND</u>	
	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and investments	\$ -	\$ 18,838
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 18,838</u>
 <u>LIABILITIES</u>		
Due to governmental fund	\$ -	\$ 18,838
TOTAL LIABILITIES	<u>-</u>	<u>18,838</u>
 <u>NET ASSETS</u>		
Restricted for risk management	-	-
TOTAL NET ASSETS	<u>-</u>	<u>-</u>
 TOTAL LIABILITIES AND NET ASSETS	<u>\$ -</u>	<u>\$ 18,838</u>

The accompanying notes are an integral part of the financial statements.

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND**

FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	<u>INTERNAL SERVICE FUND</u>	
	<u>2007</u>	<u>2006</u>
NON-OPERATING REVENUES:		
Interest income	\$ -	\$ 715
INCOME BEFORE TRANSFERS	<u>-</u>	<u>715</u>
OTHER FINANCING USES:		
Transfers to governmental fund:		
Use of funds to finance risk	-	(16,999)
TOTAL OTHER FINANCING USES	<u>-</u>	<u>(16,999)</u>
CHANGE IN NET ASSETS	<u>-</u>	<u>(16,284)</u>
NET ASSETS - OCTOBER 1	-	16,284
NET ASSETS - SEPTEMBER 30	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006**

	INTERNAL SERVICE FUND	
	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Adjustment to reconcile net income to net cash provided by operating activities:		
Increase (Decrease) in:		
Due to governmental fund	\$ (18,838)	\$ 3,177
Due to affiliate	<u>-</u>	<u>(2,404)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(18,838)</u>	<u>773</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer to governmental fund	-	(16,999)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	-	715
NET (DECREASE) IN CASH	<u>(18,838)</u>	<u>(15,511)</u>
CASH - BEGINNING OF THE YEAR	18,838	34,349
CASH - END OF THE YEAR	<u><u>\$ -</u></u>	<u><u>\$ 18,838</u></u>

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of Huron Behavioral Health have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by Huron Behavioral Health are described below:

Reporting Entity

Huron Behavioral Health is an Authority that operates under the provisions of Act 258 – Public Acts of 1974 (the Michigan Mental Health Code), as amended. The Authority arranges for or provides supports and services for persons with developmental disability, adults with severe mental illness, children with serious emotional disturbances, and individuals with addictive disorder and substance abuse. These supports and services are made available to residents of the County of Huron who meet eligibility and other criteria. As the community of members, assuring local access, organizing and integrating the provision of services, coordinating care, implementing public policy, ensuring interagency collaboration, and preserving the public interest.

The accounting policies of Huron Behavioral Health conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Authority (GASB) Statement No. 14 "The Financial Reporting Entity," these financial statements present all of the Authority's funds. The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the activities of Huron Behavioral Health. *Governmental activities* normally are supported by intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues.

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)
Government-Wide and Fund Financial Statements (Continued)

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is Huron Behavioral Health's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Huron Behavioral Health considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

An exception to the "60 day" rule is the recognition of certain patient fee revenues and the related receivables. The Authority has elected to recognize these revenues on the accrual basis of accounting. The difference between the accrual basis of accounting and modified accrual basis of accounting for these revenues is not material to the financial statements.

Modifications to the accrual basis of accounting include:

- Employees' vested annual leave is recorded as expenditures when utilized. The amount of accumulated annual leave unpaid at September 30, 2007, has been reported only in the government-wide financial statements.
- Interest on general long-term obligations is recognized when paid.
- Debt service expenditures and claims and judgments are recorded only when payment is due.

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Proprietary Fund Financial Statements – The financial statements of the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the internal service fund are charges to other funds for insurance services. Operating expenses for internal service funds include the cost of claims, administration and reinsurance. Any revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fund Accounting

The financial activities of Huron Behavioral Health are recorded in individual funds, each of which is deemed to be a separate accounting entity. Huron Behavioral Health uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The financial activities of Huron Behavioral Health that are reported in the accompanying financial statements have been classified into the following major governmental and proprietary funds.

Governmental Funds

General Fund – This fund is Huron Behavioral Health's primary operating fund. It accounts for all the financial resources except those required to be accounted for in other funds.

Proprietary Funds

Internal Service Fund – This fund represents amounts restricted for risk management and set aside to fund the net uninsured exposure of potential shortfalls of DCH risk contract revenues. The Internal Service Fund Risk Reserve for State General Fund purposes was fully expended in 2006 to partially cover a shortfall in State funding compared to expenditures. The remaining shortfall was covered from local funds. HBH does not expect to have sufficient State fund resources in the foreseeable future to allow this fund to be reestablished and therefore the internal service fund was closed as of September 30, 2006.

(Continued)

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Budgetary Data

Huron Behavioral Health's general fund budget is under formal budgetary control and follows both Huron Behavioral Health's and Michigan Department of Community Health's annual budget process in establishing the budgetary data presented in the financial statements. The annual fiscal budget is adopted on a basis consistent with generally accepted accounting principles and the requirements of the Michigan Department of Community Health.

Cash and Cash Deposits

In accordance with Michigan Compiled Laws, Huron Behavioral Health is authorized to invest in obligations of the U.S. Treasury including its agencies and instrumentalities, certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC), commercial paper rated in the three (3) highest classifications of two rating services, United States government or federal agency obligation repurchase agreements, and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Huron Behavioral Health's deposits are in accordance with statutory authority.

A specific amount of cash has been restricted for future payment of the compensated absences, since it has been charged to the Department of Community Health. Huron Behavioral Health has established a separate cash account to monitor this future liability.

Receivables

Uncollectible accounts are provided for using the allowance method based on historical experience and management's evaluation of outstanding accounts receivable. Based on these factors, there is an allowance for uncollectible accounts of \$50,000 and \$54,000 at September 30, 2007 and 2006, respectively.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets

Capital assets, which include property, plant and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as individual assets with an initial cost equal to or more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of Huron Behavioral Health are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land	N/A
Buildings and Improvements	20 – 40
Equipment and Furnishings	5 – 10
Computers	3
Vehicles	5

Incurred But Not Reported Claims Liability

The amounts recorded in current liabilities include amounts for incurred inpatient, residential and community provider claims liability based on management's estimate. The Authority may not be billed for these until several months after the date of service. Therefore, the liability is not liquidated within the normal 60-day period after year-end. Also, the actual cost may vary from the estimated amount for a variety of reasons that include, but are not limited to, retroactive consumer eligibility or cost recovery from other third party payers.

Compensated Absences

Huron Behavioral Health's policy allows full time employees to accumulate vacation time and sick time, at various rates, depending on the employee's length of service with Huron Behavioral Health. The governmental fund financial statements record expenditures when employees are paid for these compensated absences. The government-wide financial statements record the expense and the related liability when these compensated absences are earned by employees.

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Governmental Fund – Fund Balance Reserves and Designations

The governmental fund financial statements present fund balance reserves for those portions of fund balance (1) not available for appropriation for expenditure or (2) legally segregated for a specific future use. The reserves for related assets such as prepaid expenses are examples of the former. Reserves for compensated absences are examples of the later.

By resolution of the Authority's board, reserved fund balances in the amount of \$475,191 and \$422,983 as of September 30, 2007 and 2006 were established to provide for payment of future liabilities related to the following:

	<u>2007</u>	<u>2006</u>
Prepaid expenses	\$ 19,412	\$ 7,723
Compensated absences	384,380	352,443
Severance pay	<u>71,399</u>	<u>62,817</u>
Total	<u>\$ 475,191</u>	<u>\$ 422,983</u>

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Information

As set forth by State law, the CMH Board adopts an annual budget on a government wide basis. The annual budget is adopted on the full accrual basis of accounting in accordance with GASB Statement 34. The Executive Director is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditures must be approved by the CMH Board. For the year ended September 30, 2007, the original budgeted expenditures amounted to \$9,077,573. During the fiscal year ended September 30, 2007, the Board approved budget amendments that increased the budgeted expenditures to \$9,465,648. The government wide budget is presented in the Statement of Revenue and Expenses - Budget and Actual. All annual appropriations lapse at the end of the fiscal year.

Excess of Expenditures Over Appropriations

Budget control has been established by the CMH Board at the level of the following expenditure categories: Contractual providers, Program operations, Managed care administration, General and Board administration, Local funds contribution, and Depreciation. During the year ended September 30, 2007, Huron Behavioral Health incurred expenditures in the following categories which were in excess of the budgeted amounts:

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Community Supports	\$ 934,473	\$ 960,254	\$ 25,781
Managed care administration	165,033	166,324	1,291
General & board administration	946,998	963,439	16,441

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006**

NOTE 3 - CASH AND INVESTMENTS:

As of September 30, 2007 and 2006, the Authority's cash balances are as follows:

	<u>2007</u>	<u>2006</u>
Carrying amount of cash and investments		
Unrestricted – General Fund	\$3,266,112	\$3,570,686
Restricted – General Fund	455,779	415,260
Internal Service Fund		18,838
Total carrying amount of cash and investments	<u>\$3,721,891</u>	<u>\$4,004,784</u>

The bank balances of the cash and investments are classified as follows:

	<u>2007</u>	<u>2006</u>
Insured by FDIC	\$1,019,052	\$ 807,983
Uninsured and uncollateralized	2,394,206	2,132,513
Cash management account backed by government securities	373,047	1,125,561
Total bank balance of cash and investments	<u>\$3,786,305</u>	<u>\$4,066,057</u>

Restricted cash balances have been set aside for the following purposes:

	<u>2007</u>	<u>2006</u>
Payment of compensated absences	\$384,380	\$352,443
Payment of severance pay	71,399	62,817
Medicaid risk funding		18,838
Total restricted cash	<u>\$455,779</u>	<u>\$434,098</u>

As of September 30, 2007, the Authority had the following investments.

<u>INVESTMENT TYPE</u>	<u>FAIR VALUE</u>	<u>WEIGHTED AVERAGE MATURITY (YEARS)</u>	<u>%</u>
Government Cash Investment Fund – Comerica Bank	\$373,047	0.0027	100%
Portfolio weighted average maturity		<u>0.0027</u>	
1 day maturity equals 0.0027, one year equals 1.00			

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006**

NOTE 3 - CASH AND INVESTMENTS: (CONTINUED)

The Authority voluntarily invests certain excess funds in external pooled investment funds which included cash management funds. One of the pooled investment funds utilized by the Authority is the Government Cash Investment Fund. The Government Cash Investment Fund is an external pooled investment fund of "qualified" investments for Michigan local units of government. The Government Cash Investment Fund reports as of September 30, 2007, the fair value of the Authority's investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Authority's cash requirements.

Credit risk. The Authority will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities authorized by Board policy and state law.

Concentration of credit risk. The Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Authority will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Authority will do business.

Foreign currency risk. The Authority is not authorized to invest in investments which have this type of risk.

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS:

Due from other governmental units as of September 30, consists of the following:

	<u>2007</u>	<u>2006</u>
State of Michigan	\$ 52,811	\$ 102,612
County of Huron	58,313	57,063
Bay Arenac Behavioral Health	174,073	920,116
Other CMHs	73	438
Total	<u>\$285,270</u>	<u>\$1,080,229</u>

(Continued)

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006**

NOTE 5 – CHANGES IN CAPITAL ASSETS:

The following is a summary of the changes in the depreciable capital assets of Huron Behavioral Health for the year ended September 30, 2007:

	BALANCE SEPTEMBER 30, 2006	ADDITIONS	REDUCTIONS	BALANCE SEPTEMBER 30, 2007
Office equipment	\$ 256,424		\$ 9,098	\$ 247,326
Computer equipment	159,632	\$ 7,839	13,861	153,610
Transportation equipment	642,588	41,832	56,250	628,170
Building improvement	83,074			83,074
Land Improvement	13,075			13,075
Land	81,192			81,192
Buildings	330,099			330,099
TOTAL CAPITAL ASSETS	<u>\$1,566,084</u>	<u>\$ 49,671</u>	<u>\$ 79,209</u>	<u>\$1,536,546</u>

ACCUMULATED DEPRECIATION

	BALANCE SEPTEMBER 30, 2006	DEPRECIATION EXPENSE	DISPOSALS	BALANCE SEPTEMBER 30, 2007	NET BOOK VALUE
Office equipment	\$181,932	\$20,334	\$ 8,089	\$ 194,177	\$ 53,149
Computer equipment	150,063	3,792	13,861	139,994	13,616
Transportation equipment	543,741	27,747	53,750	517,738	110,432
Building improvement	5,891	2,328		8,219	74,855
Land Improvement	981	327		1,308	11,767
Land					81,192
Buildings	28,663	9,802		38,465	291,634
TOTAL	<u>\$911,271</u>	<u>\$64,330</u>	<u>\$ 75,700</u>	<u>\$ 899,901</u>	<u>\$636,645</u>

NOTE 6 – ACCRUED WAGES AND PAYROLL LIABILITIES:

This liability represents amounts paid to employees during October that were earned during September. Also included are recurring payroll liabilities that are incurred on a monthly basis.

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006**

NOTE 7 – LONG-TERM DEBT:

Authority policy allows full time employees to accumulate annual leave time at various rates, depending on the employee's length of service with Huron Behavioral Health. Amounts accumulated up to a maximum of 30 days are to be paid to the employee and recognized as an expense either when annual leave time is used, or at the discretion of Huron Behavioral Health, upon termination of employment.

Employees also accumulate sick leave time at various rates, depending on the date of hire. Amounts accumulated up to a maximum of 100 days are to be paid to the employee and recognized as an expense either when sick leave time is used, or at the discretion of Huron Behavioral Health, upon termination of employment. As of September 30, 2007 and 2006, this liability was \$384,380 and \$352,443, respectively.

As of September 30, 2007 and 2006, this liability was \$384,380 and \$352,443, respectively.

In accordance with the Mental Health Code, the Authority issued a mortgage with a local bank in the amount of \$149,241. The proceeds of the mortgage were used to purchase a building that is used in the Authority's residential care services. The terms of the mortgage call for monthly payments in the amount of \$1,161 including interest at an annual rate of 4.68%. The maturity date of the mortgage is March 28, 2021 and is collateralized by the building. Interest expense on the mortgage for the year ended September 30, 2007 amounted to \$6,694.

The following is a summary of the changes in long-term debt of Huron Behavioral Health for the year ended September 30, 2007:

	BALANCE SEPTEMBER 30, 2006	ADDITIONS	REDUCTIONS	BALANCE SEPTEMBER 30, 2007
Accrued compensated absences	\$352,443	\$ 31,937		\$384,380
Employee severance pay	62,817	24,030	\$ 15,447	71,399
Note payable	146,324		7,235	139,089
TOTALS	<u>\$561,584</u>	<u>\$ 55,967</u>	<u>\$ 22,682</u>	<u>\$594,868</u>

Annual debt service requirements to maturity for the mortgage are as follows:

Years Ending September 30,	Principal	Interest	Total
2008	\$ 7,581	\$ 6,348	\$ 13,929
2009	7,944	5,985	13,929
2010	8,324	5,605	13,929
2011	8,722	5,207	13,929
2012	9,139	4,791	13,929
2013 – 2017	52,679	16,966	69,647
2018 – 2021	44,700	3,830	48,529
Totals	<u>\$139,089</u>	<u>\$48,732</u>	<u>\$187,821</u>

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006**

NOTE 8 – UNEMPLOYMENT COMPENSATION:

Huron Behavioral Health is a reimbursing employer for purposes of unemployment insurance claims against the employer. Huron Behavioral Health reimburses the State of Michigan for all benefits charged against it in the event of termination of employment and subsequent claims of its employees. Because an estimate cannot be made, the contingent liability for unemployment insurance claims is not recognized in the accompanying financial statements. This expense is recognized as incurred.

NOTE 9 – OPERATING LEASES:

On January 1, 2007, the Authority renewed a lease agreement with the Huron County Board of Commissioners to lease office space. The terms of the lease require monthly payments of \$11,597 for a period of one year beginning January 1, 2007. The Authority is responsible for all expenses of operation including utilities and maintenance. Future minimum lease payments at September 30, 2007 are \$34,791.

The lease further provides for cancellation by the Authority if the purpose for which the lease was entered into no longer exists due to executive, legislative or local government order or insufficient allocation of funds for this location by the Michigan State Department of Community Health and/or the Huron County Board of Commissioners.

The Authority entered into various lease arrangements for residential housing facilities. The terms of the leases require monthly payments amounting to \$2,541. The Authority is responsible for all expenses of operation including utilities and maintenance.

The leases also provide for an optional renewal term with monthly lease payments to be determined based on an agreed upon formula. The leases further provide for cancellation by the Authority in the event funding is terminated, reduced or licensing is withheld.

NOTE 10 – RETIREMENT SYSTEM:

The Authority participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all full-time employees. The System provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 447 N. Canal Road, Lansing, MI 48917.

Under provisions of state statutes, all full-time employees must contribute 3% of the first \$4,200 of annual compensation and 5% of the portion over \$4,200 to the pension plan. In addition, the Authority must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements as mandated by state statutes.

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006**

NOTE 10 – RETIREMENT SYSTEM: (CONTINUED)

For the years ended September 30, 2007 and 2006, the Authority's annual pension cost of \$231,287 and \$238,864 for the plan was equal to the Authority's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006 and 2005, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8% investment rate of return, (b) projected salary increases of 4.5% per year and (c) 2.5% per year cost of living adjustments. Both (a) and (b) include an inflation component of 3%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis.

Three year trend information:

	Fiscal year ended December 31,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Annual Pension Cost	\$ 262,219	\$ 238,864	\$ 231,287
Percentage of APC contributed	100%	100%	100%
Actuarial value of assets	7,668,572	8,398,615	9,262,836
Actuarial Accrued Liability	8,006,982	8,572,965	9,519,278
Unfunded AAL	338,410	174,350	256,442
Funded ratio	96%	98%	97%
Covered payroll	2,792,539	2,496,251	2,519,327
UAAL as a percentage of covered payroll	12%	7%	10%

NOTE 11- DEFERRED COMPENSATION:

Employees of Huron Behavioral Health may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans With Respect to Service For State and Local Governments).

The deferred compensation plan is available to all employees of the Authority. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency.

The deferred compensation plan is administered by the Michigan Association of Counties. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the Administration, until paid or made available to the employees or beneficiaries, are the property of the Authority subject only to the claims of the Authority's general creditors. In addition, the participants in the plan have rights equal to those of the general creditors of the Authority and each participant's rights are equal to his or her share of the fair market value of the plan assets. The Authority believes that it is unlikely that plan assets will be needed to satisfy claims of general creditors that might arise.

HURON BEHAVIORAL HEALTH, HURON COUNTY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2007 AND 2006

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS:

Plan Description. The Authority's defined benefit postemployment healthcare plan, Huron Behavioral Health Postemployment Healthcare Plan (HBHPHP), provides medical benefits to eligible retired employees and their beneficiaries. HBHPHP is affiliated with the Michigan Municipal Employees' Retirement System Retiree Health Funding Vehicle (RHFV), an agent multiple-employer postemployment healthcare plan administered by the MMERS Retirement System. The Statutes of the State of Michigan assigns the authority to establish and amend the benefit provisions of the plans that participate in RHFV to the respective employer entities; for HBHPHP, that authority rests with the Huron Behavioral Health Board. The MMERS Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for RHFV. That report may be obtained by writing to MMERS Retirement System, 1134 Municipal Way, Lansing, MI 48917, or by calling 1-517-703-9030.

Funding Policy. The contribution requirements of plan members and the authority are established and may be amended by the MMERS board of trustees. HBHPHP members receiving benefits contribute based on their years of service. Employees with at least 10 years of full time service and age 55 or older are required to contribute 50% of their health insurance premiums; employees with at least 15 years of full time service and age 55 or older are required to contribute 25% of their health insurance premiums; and employees with at least 20 years of full time service and age 55 or older, or that have at least 10 years of full time service and age 60 or older are not required to contribute to the payment of their health insurance premiums. Only employees hired prior to January 1, 1999 are eligible to receive the post employment health care benefits.

The Authority is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 34.12 percent of annual covered payroll.

Annual OPEB Cost. For 2007, the Authority's annual OPEB cost (expense) of \$601,543 for HBHPHP was equal to the ARC. The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2007 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/07	\$601,543	12.8%	\$524,563
9/30/06	601,543	10.4%	539,169

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2004, (the date of the latest actuary report) was as follows:

Actuarial accrued liability (AAL)	\$5,547,589
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	\$5,547,589
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$1,763,106
UAAL as a percentage of covered payroll	314.7%

(Continued)

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006**

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2004, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included an 8.0 percent investment rate of return (net of administrative expenses) an annual healthcare cost trend rate of 12 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after eight years. Both include a 4.5 percent inflation assumption. The actuarial value of HBPHP assets was determined using techniques that spread the effects of short-term volatility in the market value of investments. HBPHP's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2004, was thirty years.

NOTE 13 – RISK MANAGEMENT:

General Liability:

Huron Behavioral Health participates in the Michigan Municipal Risk Management Authority, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a liability limit of \$10 million. The Authority is required to pay annual premiums to the Michigan Municipal Risk Management Authority for the liability coverage. The Authority reduced their liability insurance coverage by \$5 million and settlement amounts have not exceeded insurance coverage for the current year or the three prior years. The Authority also purchased commercial insurance coverage for losses related to their property, automobiles and commercial general liability.

Workers' Compensation:

Huron Behavioral Health purchased commercial insurance to provide coverage of losses related to workers' compensation claims. The workers' compensation insurance provides coverage for up to a maximum of \$1,000,000 for each workers' compensation claim.

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006**

NOTE 13 – RISK MANAGEMENT: (CONTINUED)

Employee Health Care:

For its risk of losses related to providing health care benefits to its employees and their dependents, the Authority established a partial self-insurance plan to cover claims for the medical costs of its employees and their dependents. The partial self-insurance plan provides coverage of up to \$586,218 of total medical care claims for the calendar year of 2007. For claims in excess of coverage of \$586,218, the Authority has purchased commercial insurance. Commercial insurance has also been purchased to provide vision and dental benefits for the employees of Huron Behavioral Health and their dependents. The following information relates to the Authority's partial self-insurance medical care plan for its employees:

	<u>2007</u>	<u>2006</u>
Partial self-insurance coverage limit	\$ 586,218	\$ 595,440
Medical care claims paid	580,554	634,960
Insurance reimbursements received	174,921	208,652
Annual medical care expense recognized	1,302,801	1,036,087

Managed Care Risk Contracts:

The Authority has a managed care risk contract with the State of Michigan for State General Fund Formula Funding for priority populations. The Authority self-insures the risk for this contract with an Internal Service Fund risk reserve. The State General Fund risk contract and reserve covers only the Authority's specific service area. The contract provides for the use of contract funds to establish the risk reserve that is restricted to meet future risk obligations. Expenditures from the Internal Service Fund risk reserve may occur if, in any one fiscal year, the Authority finds it necessary to expend more than its then current resources to provide contractually obligated supports and services for eligible individuals.

The Internal Service Fund Risk Reserve for State General Fund purposes was fully expended in fiscal year 2006 to partially cover a shortfall in State funding compared to expenditures. The remaining shortfall was covered from local funds. HBH does not expect to have sufficient State fund resources in the foreseeable future to allow this fund to be re-established and therefore the internal service fund was closed as of September 30, 2006.

Contingent Liabilities:

Amounts received or receivable from federal, state and other grantor agencies are subject to audit and adjustment by the grantor. Any disallowed amounts, including amounts already collected, may constitute a liability. The amount, if any, of costs that may be disallowed cannot be determined at this time.

The Michigan Department of Community Health (MDCH) has asked the Authority to repay to the MDCH an amount which represents excess building rent paid to a "related" party from 1980 to the present time. The MDCH request is based on an accounting principle that says rent paid to a related party will be reimbursed only to the extent of the related party's underlying costs. The MDCH asserts that the rent paid by the Authority over the years is substantially more than the County's (the owner of the building) actual underlying cost. For the same reason the MDCH has stated that it will not reimburse future rent paid by the Authority to the County. The amount that the MDCH is requesting is yet to be determined.

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006**

NOTE 13 – RISK MANAGEMENT: (CONTINUED)

The Authority asserts that it is a separate governmental entity from the County and therefore, does not meet the definition of a related party. The rent paid to the County would then not apply to the accounting principle asserted by the MDCH as excess rent paid to a related party. The Authority plans to vigorously contest the MDCH claim for reimbursement. An estimate of the outcome of this dispute with the MDCH cannot be made at this time.

Subsequent to the date of the financial statements, a licensing investigation was initiated against a residential facility of HBH. The State of Michigan completed the investigation and prepared an investigation report recommending action against the facility's license. However, to date no formal action has been initiated against the license. HBH has retained legal counsel to resolve the matter through informal means with the goal of avoiding any formal licensing action. Management believes there is a potential for a liability claim associated with the incident. No claim has been asserted as of the date of the financial report.

REQUIRED SUPPLEMENTAL INFORMATION

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

**GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:				
Medicaid Specialty Supports & Services	\$ 6,092,232	\$ 6,962,817	\$ 6,962,816	\$ (1)
State General Fund Priority Population	954,237	946,453	946,453	-
MiChild Capitation	6,841	6,710	6,710	-
Adult Benefit Waiver Capitation	108,185	116,143	116,143	-
Regional Redistribution	750,000	-	-	-
Program Service Revenue	360,369	340,033	343,038	3,005
Grants and Earned Contracts	347,932	393,314	392,602	(712)
SSI Reimbursements, 1st/3rd Party	130,259	107,122	108,724	1,602
County Appropriation	228,250	232,000	233,250	1,250
Interest Income - Working Capital	161,076	168,608	175,025	6,417
Other Local Income	9,651	22,601	21,474	(1,127)
TOTAL REVENUES	<u>9,149,032</u>	<u>9,295,801</u>	<u>9,306,235</u>	<u>10,433</u>
EXPENSES:				
State Facility - State Portion	179,945	27,060	27,060	-
State Facility - Local Portion	17,995	3,363	3,083	280
Community Hospital	288,233	289,282	280,175	9,107
Residential Services	-	354,620	353,370	1,250
Community Supports	114,254	934,473	960,254	(25,781)
Program Operations	7,148,704	6,500,445	6,469,909	30,536
Managed Care Administration	162,117	165,033	166,324	(1,291)
General & Board Administration	919,523	946,998	963,439	(16,441)
Local Funds Contribution	168,799	168,800	168,800	-
Interest Expense	6,694	6,708	6,694	14
Depreciation	71,309	68,866	64,330	4,536
TOTAL EXPENSES	<u>9,077,573</u>	<u>9,465,648</u>	<u>9,463,437</u>	<u>2,211</u>
CHANGE IN NET ASSETS	<u>\$ 71,459</u>	<u>\$ (169,847)</u>	<u>\$ (157,203)</u>	<u>\$ 12,644</u>

**HURON BEHAVIORAL HEALTH,
HURON COUNTY, MICHIGAN**

SEPTEMBER 30, 2007

**REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for HBHPHP**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ©	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/04	\$0	\$5,547,589	\$5,547,589	0%	\$1,763,106	314.7%